

Moroni City  
Sanpete County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2005

Moroni City  
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June 30, 2005

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**Jensen & Keddington, P.C.**

Certified Public Accountants

Jeffrey B. Jensen, CPA  
Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Jeffrey B. Hill, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of City Council  
Moroni City Corporation  
Moroni, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Moroni City Corporation as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Moroni City Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities and each major fund of Moroni City Corporation as of June 30, 2005, and the respective changes in financial position, and the cash flows, where applicable, thereof for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2005 on our consideration of Moroni City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as noted on the table of contents, are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Moroni City Corporation financial statements. The individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

*Jensen & Keddington*

November 22, 2005

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Moroni City  
**Management's Discussion and Analysis**  
June 30, 2005

As management of Moroni City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2005.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the City as a whole increased by \$407,725.
- \*Total unrestricted net assets for the City as a whole decreased by \$120,213.
- \*Total net assets for governmental activities increased by \$105,125.
- \*Total net assets for business-type activities increased by \$452,005.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Moroni City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.



Moroni City  
**Management's Discussion and Analysis**  
June 30, 2005

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City's two governmental funds, the general fund, and the cemetery perpetual care fund, a permanent fund, are reported as major governmental funds.

The City adopts an annual appropriated budget for its general and cemetery perpetual care funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

**Proprietary funds.** The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, sewer, and irrigation utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Moroni City  
Management's Discussion and Analysis  
June 30, 2005

**FINANCIAL ANALYSIS**

**Moroni City's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
Current and other assets	\$ 511,634	483,747	2,134,232	683,685	2,645,866	1,167,432
Capital assets	<u>1,157,761</u>	<u>1,158,569</u>	<u>4,416,247</u>	<u>3,870,294</u>	<u>5,574,008</u>	<u>5,028,864</u>
<b>Total assets</b>	<b><u>1,669,395</u></b>	<b><u>1,642,316</u></b>	<b><u>6,550,479</u></b>	<b><u>4,553,979</u></b>	<b><u>8,219,874</u></b>	<b><u>6,196,296</u></b>
Long-term liabilities	350,000	400,000	2,547,940	800,887	2,897,940	1,200,887
Other liabilities	<u>135,606</u>	<u>163,653</u>	<u>107,430</u>	<u>160,583</u>	<u>243,036</u>	<u>324,236</u>
<b>Total liabilities</b>	<b><u>485,606</u></b>	<b><u>563,653</u></b>	<b><u>2,655,370</u></b>	<b><u>961,470</u></b>	<b><u>3,140,976</u></b>	<b><u>1,525,123</u></b>
Net assets:						
Invested in capital assets, net of debt	807,761	758,569	3,521,413	3,069,408	4,329,174	3,827,977
Restricted	<u>282,577</u>	<u>67,361</u>	<u>210,204</u>	<u>398,678</u>	<u>492,780</u>	<u>466,039</u>
Unrestricted	<u>93,451</u>	<u>252,733</u>	<u>163,493</u>	<u>124,424</u>	<u>256,944</u>	<u>377,157</u>
<b>Total net assets</b>	<b><u>\$1,183,789</u></b>	<b><u>1,078,663</u></b>	<b><u>3,895,109</u></b>	<b><u>3,592,510</u></b>	<b><u>5,078,898</u></b>	<b><u>4,671,173</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$5,078,898, an increase of \$407,725 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$256,944, which represents a decrease of \$120,213 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Moroni City  
Management's Discussion and Analysis  
June 30, 2005

**FINANCIAL ANALYSIS (continued)**

**Moroni City's Changes in Net Assets:**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
<b>Program revenues:</b>						
Charges for services	\$ 95,087	93,790	346,336	315,374	441,423	409,165
Operating grants	49,055	66,359	-	-	49,055	66,359
Capital grants	42,900	4,048	318,739	911,072	361,639	915,120
<b>General revenues:</b>						
Property taxes	133,984	128,159	-	-	133,984	128,159
Sales taxes	124,960	119,807	-	-	124,960	119,807
Franchise taxes	17,647	4,575	-	-	17,647	4,575
Other revenues	<u>52,802</u>	<u>33,703</u>	<u>29,937</u>	<u>49,282</u>	<u>82,739</u>	<u>82,985</u>
<b>Total revenues</b>	<b><u>516,435</u></b>	<b><u>450,440</u></b>	<b><u>695,012</u></b>	<b><u>1,275,729</u></b>	<b><u>1,211,448</u></b>	<b><u>1,726,169</u></b>
<b>Expenses:</b>						
Administration	141,171	158,145	-	-	141,171	158,145
Public safety	117,724	110,645	-	-	117,724	110,645
Streets and highways	58,268	52,869	-	-	58,268	52,869
Parks and recreation	94,146	81,276	-	-	94,146	81,276
Water	-	-	213,543	233,658	213,543	233,658
Sewer	-	-	114,597	118,712	114,597	118,712
Irrigation	-	-	<u>64,272</u>	<u>56,680</u>	<u>64,272</u>	<u>56,680</u>
<b>Total expenses</b>	<b><u>411,310</u></b>	<b><u>402,935</u></b>	<b><u>392,413</u></b>	<b><u>409,050</u></b>	<b><u>803,723</u></b>	<b><u>811,985</u></b>
<b>Excess (deficiency) before transfers</b>	<b>105,125</b>	<b>47,506</b>	<b>302,600</b>	<b>866,678</b>	<b>407,725</b>	<b>914,184</b>
Transfers	-	-	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b><u>\$105,125</u></b>	<b><u>47,506</u></b>	<b><u>302,600</u></b>	<b><u>866,678</u></b>	<b><u>407,725</u></b>	<b><u>914,184</u></b>

Total revenues decreased by \$514,721, while total expenses decreased by \$8,262. The total net increase for the year of \$407,725 is a decrease from the previous year of \$506,459.

Governmental activities revenues of \$516,435 is an increase of \$65,995 from the previous year. This is primarily a result of increased tax and intergovernmental revenue. Governmental activities expenses of \$411,310 is an increase of \$8,375 from the previous year.

Business-type activities revenue of \$695,012 is a decrease of \$580,716 from the previous year. This decrease is a result of there being fewer grants during the current year. Business-type activities expenses of \$392,413 is a decrease of \$16,637 from the previous year.

Moroni City  
**Management's Discussion and Analysis**  
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**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts is described below:

*General Fund*

The fund balance of \$165,673 reflects an increase \$50,884 from the previous year. Total revenues increased by \$63,906. Tax revenues, including property taxes and sales taxes increased by \$24,051. Intergovernmental revenue increased by \$21,548. All other revenues increased by \$18,306.

Total expenditures increased by \$53,186. Expenditure changes, by department, excluding capital outlay: administrative decreased by \$15,631, public safety (fire and police) increased by \$6,367, parks and recreation increased by \$12,871, and streets and highways increased by \$5,399. Total expenditures for capital outlay for all departments increased by \$44,181.

Net assets restricted for debt service are \$72,222.

*Water Fund*

Amount restricted for debt service is \$76,459. Unrestricted net assets amount to \$247,474

*Sewer Fund*

Unrestricted net assets is a deficit in the amount of \$11,220.

*Irrigation Fund*

Grant revenues totaling \$318,739 were received during the year, resulting in a net change in net assets of \$339,825. Net assets restricted for debt service and grant requirements amount to \$133,745. Unrestricted net assets is a deficit in the amount of \$72,762.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$440,020. This amount was changed in the final budget to \$490,166.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$440,020. This amount was amended in the final budget to \$463,242.

There were no budgeted transfers between funds during the year, nor were there any transfers made.

Moroni City  
**Management's Discussion and Analysis**  
June 30, 2005

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Moroni City's Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Prior Year</u>
<b>Net Capital Assets:</b>						
Land and water rights	\$ 2,051	2,051	24,155	24,155	26,206	26,206
Buildings	357,740	369,755	115,000	123,155	472,740	492,910
Improvements other than buildings	107,974	111,776	-	-	107,974	111,776
Equipment	218,552	181,615	4,323	6,125	222,875	187,740
Infrastructure	471,444	493,372	-	-	471,444	493,372
Water system	-	-	1,874,160	1,987,502	1,874,160	1,987,502
Sewer system	-	-	257,972	269,238	257,972	269,238
Irrigation system	-	-	1,745,928	728,842	1,745,928	728,842
Work in progress	-	-	394,708	107,290	394,708	107,290
<b>Totals</b>	<b><u>\$1,157,761</u></b>	<b><u>1,158,569</u></b>	<b><u>4,416,247</u></b>	<b><u>3,246,308</u></b>	<b><u>5,574,008</u></b>	<b><u>4,404,877</u></b>

The total amount of capital assets, net of depreciation, of \$5,574,008 is an increase of \$1,169,131 from the previous year.

Governmental activities capital assets, net of depreciation, of \$1,157,761 is a decrease of \$808 from the previous year.

Business-type activities capital assets, net of depreciation, of \$4,416,247 is an increase of \$1,169,939 from the previous year. This increase is mostly the amount of additional investment in the irrigation ponds expansion and distribution system extension.

Additional information regarding capital assets may be found in the notes to financial statements.

Moroni City  
**Management's Discussion and Analysis**  
June 30, 2005

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Moroni City's Outstanding Debt - Revenue Bonds**

	<u>Current Year</u>	<u>Previous Year</u>
Governmental activities:		
GLTD PCIB bond	\$ <u>350,000</u>	<u>400,000</u>
<b>Total governmental</b>	<b><u>350,000</u></b>	<b><u>400,000</u></b>
Business-type activities:		
Water fund:		
Water revenue 1968A	3,940	5,887
Water Bond 1999	412,000	435,000
Sewer fund:		
Sewer revenue 2005	750,000	-
Sewer revenue 2005A	1,030,000	-
Irrigation Fund:		
CIB Irrigation	<u>352,000</u>	<u>360,000</u>
<b>Total business-type</b>	<b><u>2,547,940</u></b>	<b><u>800,887</u></b>
<b>Total long-term debt</b>	<b><u>\$2,897,940</u></b>	<b><u>1,200,887</u></b>

The two sewer bonds were issued at the close of the year for construction of additional sewer facilities. This project was just getting started on June 30, 2005.

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Moroni City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 36 North Center Street, Moroni, UT, 84056.

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**BASIC FINANCIAL STATEMENTS**



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Moroni City  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 66,185	167,032	233,217
Accounts receivable, net	146,620	32,101	178,721
Inventory	-	15,900	15,900
Other assets	<u>16,253</u>	<u>-</u>	<u>16,253</u>
Total current assets	<u>229,058</u>	<u>215,033</u>	<u>444,091</u>
Non-current assets:			
Restricted cash and cash equivalents	282,577	1,863,309	2,145,886
Irrigation company water shares	-	20,000	20,000
Capital assets, net of depreciation	1,157,761	4,416,247	5,574,008
Deferred bond issue costs, net	<u>-</u>	<u>35,890</u>	<u>35,890</u>
Total non-current assets	<u>1,440,337</u>	<u>6,335,446</u>	<u>7,775,783</u>
<b>Total assets</b>	<b><u>\$1,669,395</u></b>	<b><u>6,550,479</u></b>	<b><u>8,219,874</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	\$ 44,057	96,892	140,949
Customer security deposits	-	610	610
Accrued interest payable	-	9,928	9,928
Deferred revenues	91,549	-	91,549
Revenue bonds due within one year	<u>50,000</u>	<u>34,027</u>	<u>84,027</u>
Total current liabilities	<u>185,606</u>	<u>141,457</u>	<u>327,064</u>
Non-current liabilities:			
Revenue bonds due after one year	<u>300,000</u>	<u>2,513,912</u>	<u>2,813,912</u>
Total non-current liabilities	<u>300,000</u>	<u>2,513,912</u>	<u>2,813,912</u>
<b>Total liabilities</b>	<b><u>485,606</u></b>	<b><u>2,655,370</u></b>	<b><u>3,140,976</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	807,761	3,521,413	4,329,174
Restricted:			
Construction	-	117,608	117,608
Debt service requirements	72,222	92,596	164,818
Cemetery	210,355	-	210,355
Unrestricted	<u>93,451</u>	<u>163,493</u>	<u>256,944</u>
Total net assets	<u>1,183,789</u>	<u>3,895,109</u>	<u>5,078,898</u>
<b>Total liabilities and net assets</b>	<b><u>\$1,669,395</u></b>	<b><u>6,550,479</u></b>	<b><u>8,219,874</u></b>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS:	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net (Expense) Revenue (To Next Page)
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government:					
Administration	\$70,009	8,033	-	-	(61,975)
Justice court	22,474	27,593	-	-	5,119
Public safety:					
Police	90,003	16,989	1,259	-	(71,755)
Fire	31,022	16,394	-	42,900	28,271
Highways and public improvements:					
Streets and highways	58,268	-	47,796	-	(10,473)
Waste disposal	17,200	18,441	-	-	1,241
Parks, recreation, public property:					
Parks	43,534	5,942	-	-	(37,592)
Recreation	41,335	30,838	-	-	(10,497)
Cemetery	<u>37,463</u>	<u>5,200</u>	<u>-</u>	<u>-</u>	<u>(32,263)</u>
<b>Total governmental activities</b>	<b><u>411,310</u></b>	<b><u>129,430</u></b>	<b><u>49,055</u></b>	<b><u>42,900</u></b>	<b><u>(189,926)</u></b>
<b>Business-type activities:</b>					
Water	213,543	163,136	-	-	(50,407)
Sewer	114,597	120,191	-	-	5,594
Irrigation	<u>64,272</u>	<u>78,351</u>	<u>-</u>	<u>318,739</u>	<u>332,818</u>
<b>Total business-type activities</b>	<b><u>392,413</u></b>	<b><u>361,678</u></b>	<b><u>-</u></b>	<b><u>318,739</u></b>	<b><u>288,005</u></b>
<b>Total primary government</b>	<b><u>\$803,723</u></b>	<b><u>491,108</u></b>	<b><u>49,055</u></b>	<b><u>361,639</u></b>	<b><u>98,079</u></b>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Moroni City  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>CHANGE IN NET ASSETS:</b>			
Net (expense) revenue (from previous page)	\$ <u>(189,926)</u>	<u>288,005</u>	<u>98,079</u>
<b>General revenues:</b>			
Property taxes	133,984	-	133,984
Franchise tax	18,521	-	18,521
Sales taxes	124,087	-	124,087
Unrestricted investment earnings	10,570	14,595	25,165
Miscellaneous	<u>7,889</u>	<u>-</u>	<u>7,889</u>
<b>Total general revenues</b>	<u>295,051</u>	<u>14,595</u>	<u>309,646</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total general revenues and transfers</b>	<u>295,051</u>	<u>14,595</u>	<u>309,646</u>
<b>Change in net assets</b>	<u>105,125</u>	<u>302,600</u>	<u>407,725</u>
Net assets - beginning	<u>1,078,663</u>	<u>3,592,510</u>	<u>4,671,173</u>
Net assets - ending	<u>\$1,183,789</u>	<u>3,895,109</u>	<u>5,078,898</u>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2005

	General Fund	Permanent Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 66,185	-	66,185
Receivables, net of allowances:			
Property taxes	104,058	-	104,058
Due from other governments	31,293	-	31,293
Customer accounts	11,268	-	11,268
Prepaid assets	16,253	-	16,253
Restricted cash and cash equivalents	<u>72,222</u>	<u>210,355</u>	<u>282,577</u>
<b>TOTAL ASSETS</b>	<b><u>\$301,280</u></b>	<b><u>210,355</u></b>	<b><u>511,634</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 33,447	-	33,447
Accrued liabilities	10,611	-	10,611
Deferred revenues	<u>91,549</u>	<u>-</u>	<u>91,549</u>
<b>TOTAL LIABILITIES</b>	<b><u>135,606</u></b>	<b><u>-</u></b>	<b><u>135,606</u></b>
<b>FUND BALANCES:</b>			
Reserved for:			
Roads	72,222	-	72,222
Perpetual care	-	210,355	210,355
Unreserved, reported in:			
General fund	<u>93,451</u>	<u>-</u>	<u>93,451</u>
<b>TOTAL FUND BALANCES</b>	<b><u>165,673</u></b>	<b><u>210,355</u></b>	<b><u>376,028</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$301,280</u></b>	<b><u>210,355</u></b>	<b><u>511,634</u></b>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2005

	General Fund	Permanent Fund	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property	\$133,984	-	133,984
Sales	124,087	-	124,087
Franchise	18,521	-	18,521
Licenses and permits	7,029	-	7,029
Intergovernmental revenues	91,955	-	91,955
Charges for services	67,494	-	67,494
Fines and forfeitures	27,593	-	27,593
Interest	5,521	5,050	10,570
Miscellaneous revenue	<u>35,203</u>	<u>-</u>	<u>35,203</u>
<b>Total revenues</b>	<b><u>511,386</u></b>	<b><u>5,050</u></b>	<b><u>516,435</u></b>
<b>EXPENDITURES:</b>			
Current:			
General government	119,664	-	119,664
Public safety	130,287	-	130,287
Highways and public improvements	35,968	-	35,968
Parks, recreation and public property	78,023	-	78,023
Capital outlay:			
Public safety	46,560	-	46,560
Debt service:			
Principal	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>Total expenditures</b>	<b><u>460,502</u></b>	<b><u>-</u></b>	<b><u>460,502</u></b>
<b>Excess (Deficiency) of Revenues over (Under Expenditures)</b>	<b><u>50,884</u></b>	<b><u>5,050</u></b>	<b><u>55,934</u></b>
<b>Other Financing Sources and (Uses):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
<b>Total other financing sources and (uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Change in Fund Balances</b>	<b>50,884</b>	<b>5,050</b>	<b>55,934</b>
Fund balances - beginning of year	<u>114,789</u>	<u>205,305</u>	<u>320,094</u>
<b>Fund Balances - end of year</b>	<b><u>\$165,673</u></b>	<b><u>210,355</u></b>	<b><u>376,028</u></b>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2005

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ <u>376,028</u></b>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	1,396,507
Less accumulated depreciation	<u>(238,746)</u>
Net capital assets	<u>1,157,761</u>
Long-term debt, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	<u>(350,000)</u>
<b>Total Net Assets of Governmental Activities</b>	<b>\$ <u>1,183,789</u></b>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ 55,934**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	46,560
Depreciation expense	<u>(47,368)</u>
Net	<u>(808)</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long-term debt principal repayments	<u>50,000</u>
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**Change in Net Assets of Governmental Activities** **\$ 105,125**

The notes to the financial statements are an integral part of this statement.



Moroni City  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
June 30, 2005

	Water Fund	Sewer Fund	Irrigation Fund	Total
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 137,290	29,742	-	167,032
Accounts receivable, net	10,530	7,024	14,548	32,101
Due from other funds	96,844	-	-	96,844
Inventory	11,859	-	4,041	15,900
Other current assets	-	-	-	-
Total current assets	<u>256,522</u>	<u>36,765</u>	<u>18,589</u>	<u>311,877</u>
Non-current assets:				
Restricted cash and cash equivalents	76,459	1,653,106	133,745	1,863,309
Irrigation company water shares	-	-	20,000	20,000
Capital assets, net of depreciation	1,961,249	688,985	1,766,013	4,416,247
Deferred bond issue costs, net	-	35,890	-	35,890
Total non-current assets	<u>2,037,708</u>	<u>2,377,980</u>	<u>1,919,757</u>	<u>6,335,446</u>
<b>Total assets</b>	<b><u>\$2,294,231</u></b>	<b><u>2,414,746</u></b>	<b><u>1,938,346</u></b>	<b><u>6,647,322</u></b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 4,377	83,875	8,640	96,892
Due to other funds	-	-	96,844	96,844
Accrued interest payable	4,061	-	5,867	9,928
Customer security deposits	610	-	-	610
Revenue bonds, current portion	<u>26,027</u>	-	8,000	<u>34,027</u>
Total current liabilities	<u>35,076</u>	<u>83,875</u>	<u>119,350</u>	<u>238,301</u>
Non-current liabilities:				
Revenue bonds, long-term	<u>389,912</u>	<u>1,780,000</u>	<u>344,000</u>	<u>2,513,912</u>
Total non-current liabilities	<u>389,912</u>	<u>1,780,000</u>	<u>344,000</u>	<u>2,513,912</u>
<b>Total liabilities</b>	<b><u>424,988</u></b>	<b><u>1,863,875</u></b>	<b><u>463,350</u></b>	<b><u>2,752,213</u></b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	1,545,310	562,090	1,414,013	3,521,413
Restricted for:				
Debt service	76,459	-	16,137	92,596
Grant requirements	-	-	117,608	117,608
Unrestricted	<u>247,474</u>	<u>(11,220)</u>	<u>(72,762)</u>	<u>163,493</u>
Total net assets	<u>1,869,243</u>	<u>550,871</u>	<u>1,474,996</u>	<u>3,895,109</u>
<b>Total liabilities and net assets</b>	<b><u>\$2,294,231</u></b>	<b><u>2,414,746</u></b>	<b><u>1,938,346</u></b>	<b><u>6,647,322</u></b>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
<b>Operating income:</b>				
Charges for services	\$ 159,874	116,654	78,351	354,880
Other operating income	<u>3,262</u>	<u>3,537</u>	<u>-</u>	<u>6,799</u>
<b>Total operating income</b>	<b><u>163,136</u></b>	<b><u>120,191</u></b>	<b><u>78,351</u></b>	<b><u>361,678</u></b>
<b>Operating expenses:</b>				
Personal services	34,729	9,108	9,021	52,857
Utilities	12,177	60,719	6,736	79,632
Repairs and maintenance	20,189	20,394	9,067	49,650
Other supplies and expenses	20,304	7,574	6,717	34,594
Depreciation expense	<u>117,762</u>	<u>16,803</u>	<u>23,866</u>	<u>158,430</u>
<b>Total operating expense</b>	<b><u>205,160</u></b>	<b><u>114,597</u></b>	<b><u>55,405</u></b>	<b><u>375,163</u></b>
<b>Net operating income (loss)</b>	<b><u>(42,023)</u></b>	<b><u>5,594</u></b>	<b><u>22,946</u></b>	<b><u>(13,484)</u></b>
<b>Non-operating income (expense):</b>				
Interest income	1,549	6,039	7,007	14,595
Interest on long-term debt	<u>(8,383)</u>	<u>-</u>	<u>(8,867)</u>	<u>(17,250)</u>
<b>Total non-operating income (expense)</b>	<b><u>(6,834)</u></b>	<b><u>6,039</u></b>	<b><u>(1,860)</u></b>	<b><u>(2,655)</u></b>
<b>Income (loss) before contributions and transfers</b>	<b><u>(48,858)</u></b>	<b><u>11,632</u></b>	<b><u>21,086</u></b>	<b><u>(16,140)</u></b>
Capital contributions	-	-	318,739	318,739
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	<b><u>(48,858)</u></b>	<b><u>11,632</u></b>	<b><u>339,825</u></b>	<b><u>302,600</u></b>
<b>Net assets, beginning</b>	<b><u>1,918,101</u></b>	<b><u>539,238</u></b>	<b><u>1,135,171</u></b>	<b><u>3,592,510</u></b>
<b>Net assets, ending</b>	<b><u>\$1,869,243</u></b>	<b><u>550,871</u></b>	<b><u>1,474,996</u></b>	<b><u>3,895,109</u></b>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**STATEMENT OF CASH FLOWS**  
For the Year Ending June 30, 2005

	Water Fund	Sewer Fund	Irrigation Fund	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers - service	164,422	120,793	73,489	358,704
Cash paid to suppliers	(50,927)	(89,764)	(26,020)	(166,711)
Cash paid to employees	(34,190)	(8,999)	(8,919)	(52,108)
<b>Net cash provided (used) in operating activities</b>	<b><u>79,304</u></b>	<b><u>22,030</u></b>	<b><u>38,550</u></b>	<b><u>139,884</u></b>
<b>Cash flows from noncapital financing activities:</b>				
Net interfund activity	34,167	(24,654)	96,844	106,357
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>34,167</u></b>	<b><u>(24,654)</u></b>	<b><u>96,844</u></b>	<b><u>106,357</u></b>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from bond issues	-	1,780,000	-	1,780,000
Cash received from capital grants	-	-	318,739	318,739
Cash payments for capital assets	-	(208,728)	(544,727)	(753,455)
Cash payments for debt issue costs	-	(35,890)	-	(35,890)
Cash payments for long-term debt	(24,947)	-	(8,000)	(32,947)
Cash payments for long-term debt interest	(8,644)	-	(9,000)	(17,644)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>(33,591)</u></b>	<b><u>1,535,382</u></b>	<b><u>(242,988)</u></b>	<b><u>1,258,803</u></b>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned	1,549	6,039	7,007	14,595
<b>Net cash provided (used) in investing activities</b>	<b><u>1,549</u></b>	<b><u>6,039</u></b>	<b><u>7,007</u></b>	<b><u>14,595</u></b>
<b>Net increase (decrease) in cash</b>	<b>81,429</b>	<b>1,538,797</b>	<b>(100,587)</b>	<b>1,519,639</b>
Cash balance, beginning	132,320	144,051	234,331	510,702
<b>Cash balance, ending</b>	<b><u>213,749</u></b>	<b><u>1,682,847</u></b>	<b><u>133,745</u></b>	<b><u>2,030,341</u></b>
<b>Cash reported on the balance sheet:</b>				
Cash and cash equivalents	137,290	29,742	-	167,032
Non-current restricted cash	76,459	1,653,106	133,745	1,863,309
<b>Total cash and cash equivalents</b>	<b><u>213,749</u></b>	<b><u>1,682,847</u></b>	<b><u>133,745</u></b>	<b><u>2,030,341</u></b>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Moroni City  
**STATEMENT OF CASH FLOWS, continued**  
For the Year Ended June 30, 2005

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activity:**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
<b>Net operating income (expense)</b>	<b>\$(42,023)</b>	<b>5,594</b>	<b>22,946</b>	<b>(13,484)</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	117,762	16,803	23,866	158,430
Changes in assets and liabilities:				
(Increase) decrease in receivables	1,285	602	(4,862)	(2,975)
(Increase) decrease in inventory	1,641	-	(41)	1,600
(Increase) decrease in prepayments	-	-	-	-
Increase (decrease) in payables	<u>639</u>	<u>(968)</u>	<u>(3,358)</u>	<u>(3,687)</u>
<b>Net cash provided in operating activity</b>	<b><u>\$ 79,304</u></b>	<b><u>22,030</u></b>	<b><u>38,550</u></b>	<b><u>139,884</u></b>

The notes to the financial statements are an integral part of this statement.

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Moroni City, (the City), a municipal corporation located in Sanpete County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The City reports the following major governmental fund:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *permanent fund* accounts for the cash inflows and outflows of the cemetery perpetual fund.

*Proprietary funds*

**The City reports the following major proprietary funds:**

The *water fund* is used to account for the activities of the culinary water distribution.

The *sewer fund* is used to account for the operations of the sewer system.

The *irrigation fund* is used to account for the operations of the secondary water distribution system.

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments' Fund. Additional information is contained in Note 2.

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-2. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to* or *due from other funds*.

Property taxes are assessed and collected for the City by Sanpete County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.



Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	35
Improvements	35
Water system	35
Sewer system	35
Infrastructure	25
Vehicles and equipment	5-20

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-8. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance and for debt service requirements. Designations of fund balance represent tentative management plans that are subject to change.

**1-E-9. Prior period reclassification**

The total net assets reported at the end of the prior year for the sewer fund have been increased by \$144,050, and the irrigation fund balance has been decreased the same amount. A grant, which was made to the sewer fund, was reported as irrigation fund income in the previous year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

None of the City's funds have deficit balances.

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2005 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 550
Demand deposits - checking	50,484
Investments - PTIF	<u>2,328,068</u>
<b>Total cash and investments</b>	<b><u>\$2,379,102</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$ 233,217
Restricted cash and cash equivalents (non-current)	<u>2,145,886</u>
<b>Total cash and cash equivalents</b>	<b><u>\$2,379,102</u></b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurers' Investment Pool (PTIF). PTIF is managed by the Utah State Treasurers' investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the City's demand deposits are covered by NCUSIF insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF. As discussed on the previous page, custodial risk for PTIF accounts is not significant.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Accounts not expected to be collected within one year, if significant, are captioned as non-current receivables. Receivables as of year end for the City's funds are shown below:

	<u>General Fund</u>	<u>Water</u>	<u>Sewer</u>	<u>Irrigation</u>	<u>Total</u>
Property taxes-current	\$ 13,009	-	-	-	13,009
Property taxes-deferred	91,049	-	-	-	91,049
Intergovernmental	31,293	-	-	-	31,293
Customers, current	<u>14,225</u>	<u>18,262</u>	<u>11,990</u>	<u>18,648</u>	<u>63,126</u>
<b>Total receivables</b>	<b>149,577</b>	<b>18,262</b>	<b>11,990</b>	<b>18,648</b>	<b>198,478</b>
Allowance for uncollectibles	<u>(2,957)</u>	<u>(7,733)</u>	<u>(4,966)</u>	<u>(4,100)</u>	<u>(19,756)</u>
<b>Net receivables</b>	<b><u>\$146,620</u></b>	<b><u>10,530</u></b>	<b><u>7,024</u></b>	<b><u>14,548</u></b>	<b><u>178,721</u></b>

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 2,051	-	-	2,051
<b>Total capital assets, not being depreciated</b>	<b>2,051</b>	<b>-</b>	<b>-</b>	<b>2,051</b>
Capital assets, being depreciated:				
Buildings	420,545	-	-	420,545
Improvements other than buildings	133,054	-	-	133,054
Machinery and equipment	246,106	46,560	-	292,666
Infrastructure	548,191	-	-	548,191
<b>Total capital assets, being depreciated</b>	<b>1,347,896</b>	<b>46,560</b>	<b>-</b>	<b>1,394,456</b>
Less accumulated depreciation for:				
Buildings	50,790	12,015	-	62,805
Improvements other than buildings	21,278	3,802	-	25,079
Machinery and equipment	64,492	9,623	-	74,115
Infrastructure	54,819	21,928	-	76,747
<b>Total accumulated depreciation</b>	<b>191,378</b>	<b>47,368</b>	<b>-</b>	<b>238,746</b>
<b>Total capital assets being depreciated, net</b>	<b>1,156,518</b>	<b>(808)</b>	<b>-</b>	<b>1,155,710</b>
<b>Governmental activities capital assets, net</b>	<b>\$1,158,569</b>	<b>(808)</b>	<b>-</b>	<b>1,157,761</b>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

<b>Governmental Activities:</b>	
General government	\$ 1,006
Public safety - fire	7,939
Highways and public improvements	22,301
Parks, recreation and public property	15,519
Cemetery	604
<b>Total</b>	<b>\$47,368</b>

Moroni City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**3-C. Capital assets, continued**

Capital asset activity for business-type activities was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and water shares	\$ 4,070	-	-	4,070
Construction in progress	<u>731,277</u>	<u>704,383</u>	<u>1,040,951</u>	<u>394,708</u>
<b>Total capital assets, not being depreciated</b>	<b><u>735,347</u></b>	<b><u>704,383</u></b>	<b><u>1,040,951</u></b>	<b><u>398,778</u></b>
Capital assets, being depreciated:				
Water system	3,857,030	-	-	3,857,030
Sewer system	639,123	-	-	639,123
Irrigation	<u>765,861</u>	<u>1,040,951</u>	-	<u>1,806,812</u>
<b>Total capital assets being depreciated</b>	<b><u>5,262,015</u></b>	<b><u>1,040,951</u></b>	<b><u>-</u></b>	<b><u>6,302,966</u></b>
Less accumulated depreciation for:				
Water system	1,778,019	117,762	-	1,895,781
Sewer system	332,113	16,803	-	348,916
Irrigation	<u>16,934</u>	<u>23,866</u>	-	<u>40,800</u>
<b>Total accumulated depreciation</b>	<b><u>2,127,067</u></b>	<b><u>158,430</u></b>	<b><u>-</u></b>	<b><u>2,285,497</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>3,134,948</u></b>	<b><u>882,521</u></b>	<b><u>-</u></b>	<b><u>4,017,469</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$3,870,294</u></b>	<b><u>1,586,904</u></b>	<b><u>1,040,951</u></b>	<b><u>4,416,247</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-Type Activities:</b>	
Water	\$117,762
Sewer	16,803
Irrigation	<u>23,866</u>
<b>Total</b>	<b><u>\$158,430</u></b>

Moroni City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**3-D. Long-term debt**

Long-term debt activity for the year was as follows:

	<u>Original Principal</u>	<u>% Rate</u>	<u>06/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/2005</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>							
Revenue bonds:							
B&C Roads 2001	\$500,000	0.00	\$ <u>400,000</u>	<u>-</u>	<u>50,000</u>	<u>350,000</u>	<u>50,000</u>
<b>Total governmental activity long-term liabilities</b>			<b><u>400,000</u></b>	<b><u>-</u></b>	<b><u>50,000</u></b>	<b><u>350,000</u></b>	<b><u>50,000</u></b>
<b>Business-type activities:</b>							
Water fund:							
Water bond 1968A	45,000	4.13	5,887	-	1,947	3,940	2,027
Water bond 1999	525,000	1.92	435,000	-	23,000	412,000	24,000
Sewer fund:							
Sewer bond 2005A	1,030,000	0.50	-	1,030,000	-	1,030,000	-
Sewer bond 2005	750,000	0.00	-	750,000	-	750,000	-
Irrigation fund:							
Irrigation bond 2002	360,000	2.50	<u>360,000</u>	<u>-</u>	<u>8,000</u>	<u>352,000</u>	<u>8,000</u>
<b>Total business-type activity long-term liabilities</b>			<b><u>800,887</u></b>	<b><u>1,780,000</u></b>	<b><u>32,947</u></b>	<b><u>2,547,940</u></b>	<b><u>34,027</u></b>
<b>Total long-term liabilities</b>			<b><u>\$1,200,887</u></b>	<b><u>1,780,000</u></b>	<b><u>82,947</u></b>	<b><u>2,897,940</u></b>	<b><u>84,027</u></b>

All bonds are revenue bonds secured by the revenues of the respective water, sewer, and irrigation systems.

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 84,027	16,922	100,949
2007	108,867	16,172	125,039
2008	285,000	33,889	318,889
2009	286,000	32,304	318,304
2010	288,000	30,714	318,714
2011-2015	913,000	103,467	1,016,467
2016-2020	332,000	38,169	370,169
2021-2025	189,000	22,050	211,050
2026-2030	197,000	13,600	210,600
2031-2035	190,000	4,100	194,100
2036-2040	<u>25,000</u>	<u>0</u>	<u>25,000</u>
	<b><u>\$2,897,940</u></b>	<b><u>311,392</u></b>	<b><u>3,209,332</u></b>

Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Employee pension and other benefit plans**

**Plan Description:**

Moroni City contributes to the Local Government Noncontributory Retirement System and to the Public Safety Noncontributory Retirement System, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also established the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

**Funding Policy:**

In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of employees' annual covered salary. In the Public Safety Noncontributory Retirement System, Moroni City is required to contribute 19.34% of employees' annual covered salary. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the Local Governmental Noncontributory Retirement Systems for the years ended June 30, 2005, 2004 and 2003 were \$6,776, \$5,849, and \$6,090, respectively. Contributions to the Public Safety Noncontributory Retirement Systems for the year ended June 30, 2005 were \$12,995. This was the first year the City had covered employees in the Public Safety Noncontributory Retirement System. The contributions were equal to the required contributions for the year.



Moroni City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 - OTHER INFORMATION (continued)**

**4-C. Economic dependency**

The City, at June 30, 2005, has issued \$1,780,000 (of a total approved amount of \$4,450,000) of Sewer Revenue Bonds Series 2005 in order to construct additional sewer treatment and collection facilities. An agreement has been reached with Moroni Feed Company (MFC), the major user of those facilities, whereby MFC will participate in the repayment of 89.75% of the bonds and in certain maintenance and replacement deposit accumulations. Thus, the City has significant economic dependence on MFC in this undertaking.

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**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**

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Moroni City  
**Notes to Required Supplementary Information**  
June 30, 2005

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund.

**Budgeting and Budgetary Control**

Budgets for the General Fund is legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2005 the only General Fund department exceeding appropriations was parks and recreation in the amount of \$7,016.

Moroni City  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**  
 (Unaudited)  
 For the Year Ended June 30, 2005

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget Under (Over)
<b>Revenues</b>				
Taxes	\$253,600	263,986	276,591	(12,605)
Licenses and permits	3,700	5,400	7,029	(1,629)
Intergovernmental revenues	70,000	99,400	91,955	7,445
Charges for services	85,800	94,649	95,087	(438)
Interest	10,500	4,533	5,521	(988)
Miscellaneous revenue	<u>16,420</u>	<u>22,198</u>	<u>35,203</u>	<u>(13,005)</u>
<b>Total revenues</b>	<b><u>440,020</u></b>	<b><u>490,166</u></b>	<b><u>511,386</u></b>	<b><u>(21,220)</u></b>
<b>Expenditures</b>				
General government:				
Council	11,150	11,150	10,134	1,016
Administrative	84,000	84,000	82,404	1,596
Justice court	22,100	23,100	22,474	626
Planning and zoning	4,850	4,850	4,652	198
Public safety	160,460	178,935	176,847	2,088
Parks and recreation	67,260	71,007	78,023	(7,016)
Highways and public improvements	<u>90,200</u>	<u>90,200</u>	<u>85,968</u>	<u>4,232</u>
<b>Total expenditures</b>	<b><u>440,020</u></b>	<b><u>463,242</u></b>	<b><u>460,502</u></b>	<b><u>2,740</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b><u>-</u></b>	<b><u>26,924</u></b>	<b><u>50,884</u></b>	<b><u>(23,960)</u></b>
<b>Other Financing Sources and (Uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and (uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>26,924</b>	<b>50,884</b>	<b>(23,960)</b>
Fund balances - beginning of year	<u>114,789</u>	<u>114,789</u>	<u>114,789</u>	<u>-</u>
<b>Fund Balances - end of year</b>	<b><u>\$114,789</u></b>	<b><u>141,713</u></b>	<b><u>165,673</u></b>	<b><u>(23,960)</u></b>

**OTHER REPORTS**

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**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Jensen & Keddington, P.C.**

*Certified Public Accountants*

Jeffrey B. Jensen, CPA  
Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Jeffrey B. Hill, CPA

Honorable Mayor and  
Members of City Council  
Moroni City Corporation  
Moroni, Utah

We have audited the basic financial statements of the governmental activities, the business-type activities and each major fund of Moroni City Corporation, as of and for the year ended June 30, 2005, which collectively comprise the City of Moroni's basic financial statements and have issued our report thereon dated November 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Moroni City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Moroni City Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying *Schedule of Findings and Recommendations*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

**Compliance**

As part of obtaining reasonable assurance about whether Moroni City Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



We noted certain immaterial instances of noncompliance that we have reported to the management of Moroni City Corporation in the accompanying *Schedule of Findings and Recommendations*.

This report is intended for the information of the Mayor, City Council and management of Moroni City Corporation and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Jensen & Keddington*

November 22, 2005



**AUDITOR'S REPORT ON STATE OF UTAH  
LEGAL COMPLIANCE**

**Jensen & Keddington, P.C.**  
Certified Public Accountants

Jeffrey B. Jensen, CPA  
Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Jeffrey B. Hill, CPA

Honorable Mayor and  
Members of City Council  
Moroni City Corporation  
Moroni, Utah

We have audited the basic financial statements of the governmental activities, the business-type activities, and each major fund of Moroni City Corporation, for the year ended June 30, 2005, and have issued our report thereon dated November 22, 2005. As part of our audit, we have audited Moroni City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah:

**B&C Road Funds (Department of Transportation)**

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Liquor Law Enforcement  
Justice Courts  
B & C Road Funds  
Other General Compliance Issues  
Impact Fees

The management of Moroni City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying *Schedule of Findings and Recommendations*. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Moroni City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Jensen & Keddington*

November 22, 2005

# **MORONI CITY CORPORATION**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

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### **REPORTABLE CONDITIONS**

#### **IMPROPER COLLECTION OF CASH**

##### **Finding**

It is the responsibility of the City Treasurer to ensure that funds collected by the city are properly recorded and deposited by the City. During the audit we noted that the cash collection procedures set up by the Treasurer to be used during special events, such as 4th of July and the Miss Moroni Pageant, were not followed by the cashiers. This resulted in the Treasurer not being able to correctly reconcile the funds received by the City. Also, because of the cashiers not following the procedures, the City was not able to determine whether all the funds collected at the events were submitted to the City.

##### **Recommendation**

We recommend that the City establish controls to monitor the procedures performed by the cashiers to ensure that all funds are accounted for and deposited into the City's account.

##### **Finding**

In order to insure that all funds that are collected in the name of the City are properly deposited and accounted for by the City, the state has designated that all money collections be the responsibility of the treasury department. During the audit we noted that the outside contractor hired by the City to perform animal control functions was allowed to accept monies for and in behalf of the City for animal fines and caretaking. Thus the City is in violation of state law by allowing a party outside of the treasury function to collect fees and fines for and in behalf of the City.

##### **Recommendation**

We recommend that the City only allow the treasurer, and those performing treasury functions under the treasurer's supervision, to collect money for the City.

### **STATE LEGAL COMPLIANCE**

#### **Immaterial Instances of Noncompliance**

##### **EXCESSIVE FUND BALANCE**

##### **Finding**

Utah State Code 10-6-116(2) indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. The City's final unreserved fund balance in the general fund exceeds 18% of the total estimated revenue of the fund. Based on fiscal year 2006 estimated general fund revenues of \$482,850, the unreserved general fund balance at June 30, 2005 of \$93,451 exceeds the 18% limit by \$6,538.

##### **Recommendation**

We recommend that the City make budgeting changes to bring unreserved general fund balance into compliance with Utah State Code.

#### **EXPENDITURES IN EXCESS OF BUDGET**

##### **Finding**

Per Utah State Code 10-6-123, officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. The City's

**MORONI CITY CORPORATION**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)**

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expenditures exceeded the budget in parks and recreation department in the amount of \$7,016. A similar finding was included in the prior year's audit report.

**Recommendation**

We recommend that the City closely monitor expenditures in all departments to ensure compliance with the Utah State Code 106-123.

**PAYMENT OF FUNDS DUE TO THE STATE**

**Finding**

Utah Code Section 51-4-2(4)(a) states that all justice courts, having funds due to the State or any political subdivision, shall on or before the tenth day of the month, pay all funds receipted within the preceding month to the appropriate public treasurer. We noted that the City submitted their payment to the state after the 10th of the month for eleven of the twelve months of the year. A similar finding was included in the prior year's audit report.

**Recommendation**

We recommend that the City submit all funds that are due to the State within the time allowed by Utah State Code.

**PURCHASING POLICY**

**Finding**

Moroni City policy requires a purchase order for all purchases over \$150.00. Compliance with this policy was tested as part of the cash disbursements testing. Of the 25 items tested, 16 purchases required a purchase order. Of those 16, one item failed to comply with the purchase order policy.

**Recommendation**

The Utah Procurement Code and the Uniform Fiscal Procedures Act for Cities require cities to adopt and follow a purchasing policy. We recommend that Moroni City comply with its purchasing policy by ensuring that all purchases requiring a purchase order have one.

# Moroni City Corporation

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MORONI, UTAH 84646

UTAH'S TURKEY CAPITAL

February 28, 2006

Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
P.O. Box 142310  
Salt Lake City, Utah 84114-2310  
(801) 538-1025

**RE: Response to FY 2005 Financial report for Moroni City**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

1. Finding: It is the responsibility of the City Treasurer to ensure that funds collected by the city are properly recorded and deposited by the City. During the audit we noted that the cash collection procedures set up by the Treasurer to be used during special events, such as 4<sup>th</sup> of July and the Miss Moroni Pageant, were not followed by the cashiers. This resulted in the Treasurer not being able to correctly reconcile the funds received by the City. Also, because of the cashiers not following the procedures, the City was not able to determine whether all the funds collected at the events were submitted to the City.

### Recommendation

We recommend that the City establish controls to monitor the procedures performed by the cashiers to ensure that all funds are accounted for and deposited into the City's account.

### Response

We are developing a procedures policy that will be followed by those collecting at events. The collections will be closely monitored and accounted for by the Treasurer and deposited on a timely basis.

2. Finding In order to insure that all funds that are collected in the name of the City are properly deposited and accounted for by the City, the state has designated that all money collections be the responsibility of the treasury department. During the audit we noted that the outside contractor hired by the City to perform animal control functions was allowed to accept monies for and in behalf of the City for

animal fines and caretaking. Thus the City is in violation of state law by allowing a party outside of the treasury function to collect fees and fines for and in behalf of the City.

Recommendation

We recommend that the City only allow the treasurer, and those performing treasury functions under the treasurer's supervision, to collect money for the City.

Response

It is now our procedure that the Moroni City Treasurer and those performing treasury functions under the treasurer's supervision be the only person(s) to collect money for the City.

3. Finding Utah State Code 10-6-116(2) indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. The City's final unreserved fund balance in the general fund exceeds 18% of the total estimated revenue of the fund. Based on fiscal year 2006 estimated general fund estimated general fund revenues of \$482,850, the unreserved general fund balance at June 30, 2005 of \$93,451 exceeds the 18% limit by \$6,538.

Recommendation

We recommend that the City make budgeting changes to bring unreserved general fund balance into compliance with Utah State Code.

Response

A public hearing will be held in April in order to adjust the 2006 budget. The beginning General Fund balance will be budgeted using the \$6,538. We will pay close attention to the fund balance in the future and make sure that appropriate fund balance is maintained.

4. Finding Per Utah State Code 10-6-123, officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. The City's expenditures exceeded the budget in parks and recreation department in the amount of \$7,016. A similar finding was ~~included in~~ the prior year's audit report.

Recommendation

We recommend that the City closely monitor expenditures in all departments to ensure compliance with the Utah State Code 106-123.

Response

The city will closely monitor the budget and purchasing policies to ensure that the City stays in compliance with the Utah State Code 106-123. The budget will be re-opened as needed.

5. Finding Utah Code Section 51-4-2(4) (a) states that all justice courts, having funds due to the State or any political subdivision, shall on or before the tenth day

of the month, pay all funds receipted within the preceding month to the appropriate public treasurer. We noted that the City submitted their payment to the state after the 10<sup>th</sup> of the month for eleven of the twelve months of the year. A similar finding was included in the prior year's audit report.

Recommendation

We recommend that the City submit all funds that are due to the State within the time allowed by Utah State Code.

Response

The City Council has approved a resolution pre-approving payment of State required obligations.

6. ~~Finding~~ Moroni City policy requires a purchase order for all purchases over \$150.00 Compliance with this policy was tested as part of the cash disbursement testing. Of the 25 items tested, 16 purchases required a purchase order. Of those 16, one item failed to comply with the purchase order policy.

Recommendation

The Utah Procurement Code and the Uniform Fiscal Procedures Act for Cities require cities to adopt and follow a purchasing policy. We recommend that Moroni City comply with its purchasing policy by ensuring that all purchases requiring a purchase order have one.

Response

Moroni City will pay closer attention to following the purchasing policy to ensure compliance with State Code.

Moroni City



Rebecca Kendall  
Recorder